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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

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WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

IN THE MATTER OF THE APPLICATION OF)
SOUTHWEST GAS CORPORATION - FILING)
FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
ARIZONA PORTLAND CEMENT)

DOCKET NO. G-01551A-01-0471

DECISION NO. 63940ORDER

Open Meeting
July 24 and 25, 2001
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On June 11, 2001, Southwest filed for Commission approval of a special gas procurement agreement with Arizona Portland Cement. On June 28, 2001, (Decision No. 63842) the Commission suspended this filing for 60 days to provide Staff time to analyze the filing.

3. The proposed agreement would become effective July 1, 2001, subject to Commission approval. The proposed procurement agreement has an initial term of two years and will automatically continue unless one party gives notice of termination at least 90 days prior to the anniversary date of the agreement.

4. Arizona Portland Cement is currently served under a special gas procurement agreement that was approved by the Commission on April 21, 1999 (Decision No. 61641).

5. Service under Schedule G-30 is available to customers who can establish the bypass of Southwest is economically, operationally, and physically feasible and imminent. Arizona Portland Cement is located less than one mile from El Paso Natural Gas Company's ("El Paso") interstate pipeline.

6. Staff has reviewed Arizona Portland Cement's usage characteristics and believes that bypass is a viable option for Arizona Portland Cement. Further, Southwest has indicated the proposed procurement agreement is necessary to avoid such a bypass.

7. Southwest has indicated that it will enter into gas supply contracts with a gas supplier for Arizona Portland Cement's gas requirements, which are separate from Southwest's general system supply contracts and that this supply will be accounted for separately from Southwest's general system supply.

8. The specific charges for serving Arizona Portland Cement were provided to Staff under a confidentiality agreement.

9. Staff has reviewed the charges included in the proposed procurement agreement and believes that the revenues Southwest receives should cover its cost of serving Arizona Portland Cement. However, if conditions change it is theoretically possible that Southwest could experience a negative margin on this procurement agreement.

10. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor account with all upstream pipeline capacity charges collected from Arizona Portland Cement. This will benefit Southwest's core customers.

11. Arizona Portland Cement has a viable alternative to being served by Southwest. Without this agreement Southwest might lose net revenues it would otherwise receive.

12. Staff has recommended approval of this filing.

13. Further, Staff has recommended that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

CONCLUSIONS OF LAW

1. Southwest is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Southwest and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated July 3, 2001, concludes that it is in the public interest to approve the filing.

ORDER

IT IS THEREFORE ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION
CHAIRMAN
COMMISSIONER
COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol in the City of Phoenix, this 6th day of August, 2001.


BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DRS:BGG:jbc/JMA

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